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KRAKATOA
RESOURCES LTD.

Interim Financial Report
For the Half-Year Ended December 2020

KRAKATOA RESOURCES LIMITED
INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2020

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KRAKATOA RESOURCES LIMITED

CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN

Colin Locke

NON-EXECUTIVE DIRECTORS

Timothy Hogan

David Palumbo

CHIEF EXECUTIVE OFFICER

Mark Major

COMPANY SECRETARY

David Palumbo

REGISTERED OFFICE

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AUDITORS

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STOCK EXCHANGE CODE

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KRAKATOA RESOURCES LIMITED

DIRECTORS' REPORT

Your directors submit the financial report of the Krakatoa Resources Limited and controlled entities (referred to hereafter as “the Group”) for the half-year ended 31 December 2020.

DIRECTORS

The names of Directors who held office during or since the end of the half-year are:

Colin Locke Executive Chairman
Timothy Hogan Non-Executive Director
David Palumbo Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial period was mineral exploration and evaluation of acquisition opportunities.

RESULTS

The loss after tax for the half-year ended 31 December 2020 was \$2,065,279 (2019: \$1,508,905).

REVIEW OF OPERATIONS

During the financial period, the Company was granted the Rand project in southern NSW and applied for multiple new tenements at the Mt Clere project in the Gascoyne region of WA. The Company completed drilling at the several prospects within the Turon project, NSW and advanced its exploration mapping over the Belgravia project. Details of the operations are provided below.

Belgravia Project – Cu, Au

The Belgravia Project covers an area of 80km² and is located in the central part of the Molong Volcanic Belt (MVB), Lachlan Fold Belt, NSW. It contains the same rocks (Fairbridge Volcanics and Oakdale Formation), or their lateral equivalents, that respectively host the giant Cadia-Ridgeway mine 35km south and Alkane Resources' Boda discovery 65km north.

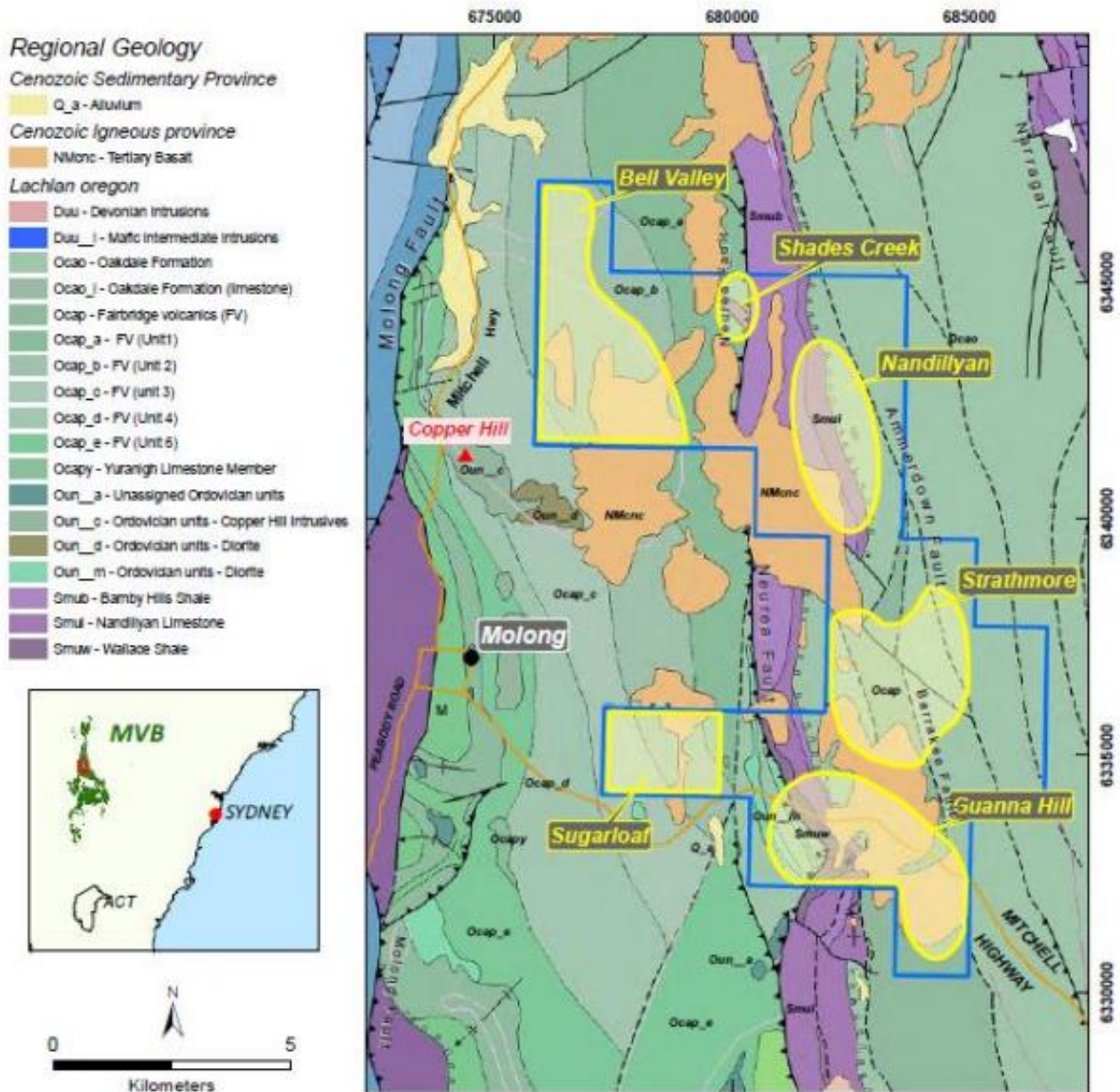
Historical exploration at Belgravia has failed to adequately consider the regolith and tertiary basalt (up to 40m thick) that obscures much of the prospective geology. The Project contains six targets with considerable exploration potential for porphyry Cu-Au and associated skarn mineralisation (Figure 1).

A deep ground penetrating radar ("DGPR") survey was completed during the June 2020 quarter at Belgravia. Interpretation was undertaken and the results reported in July 2020. The objective was to map the sub-surface geology and provide evidence of favourable hosting environments for mineralisation over the Bell Valley and Sugarloaf prospects.

The DGPR survey at Bell Valley identified several critical anomalies associated with and proximal to previously announced interpreted porphyry-related targets: the central Bella and northern Lara 1 and 2. Additionally, a new anomaly situated southwest of Bella towards the Copper Hill deposit was revealed. The DGPR anomalies at Bella and Lara 1 and 2, notably coincide with drill-indicated anomalous gold and multielement geochemistry and correspond with a pervasive magnetic low feature perceived to influence the location of mineralisation at the adjacent Copper Hill deposit.

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DIRECTORS' REPORT



A total of seven anomalies were identified through the DGPR survey at Sugarloaf (Figure 2). These anomalies occur across multiple survey lines and ultimately form two separate polygons striking over 900m and 500m respectively. With the previously announced high-grade chip result, reporting 5.19g/t gold and 1.73% copper derived within the longer DGPR polygon.

Each DGPR anomaly extends across several survey lines and are interpreted to represent quartz stockworks, sheeted quartz veining and disseminated sulphides plausibly associated with porphyry-style Cu-Au or related styles of mineralisation.

The Company considers the economic potential for copper-gold mineralisation associated with a porphyry may lie at depth (>200m) and the DGPR supports high-grade copper-gold veins potentially extending upwards from a porphyry source forming a secondary target at shallower levels.

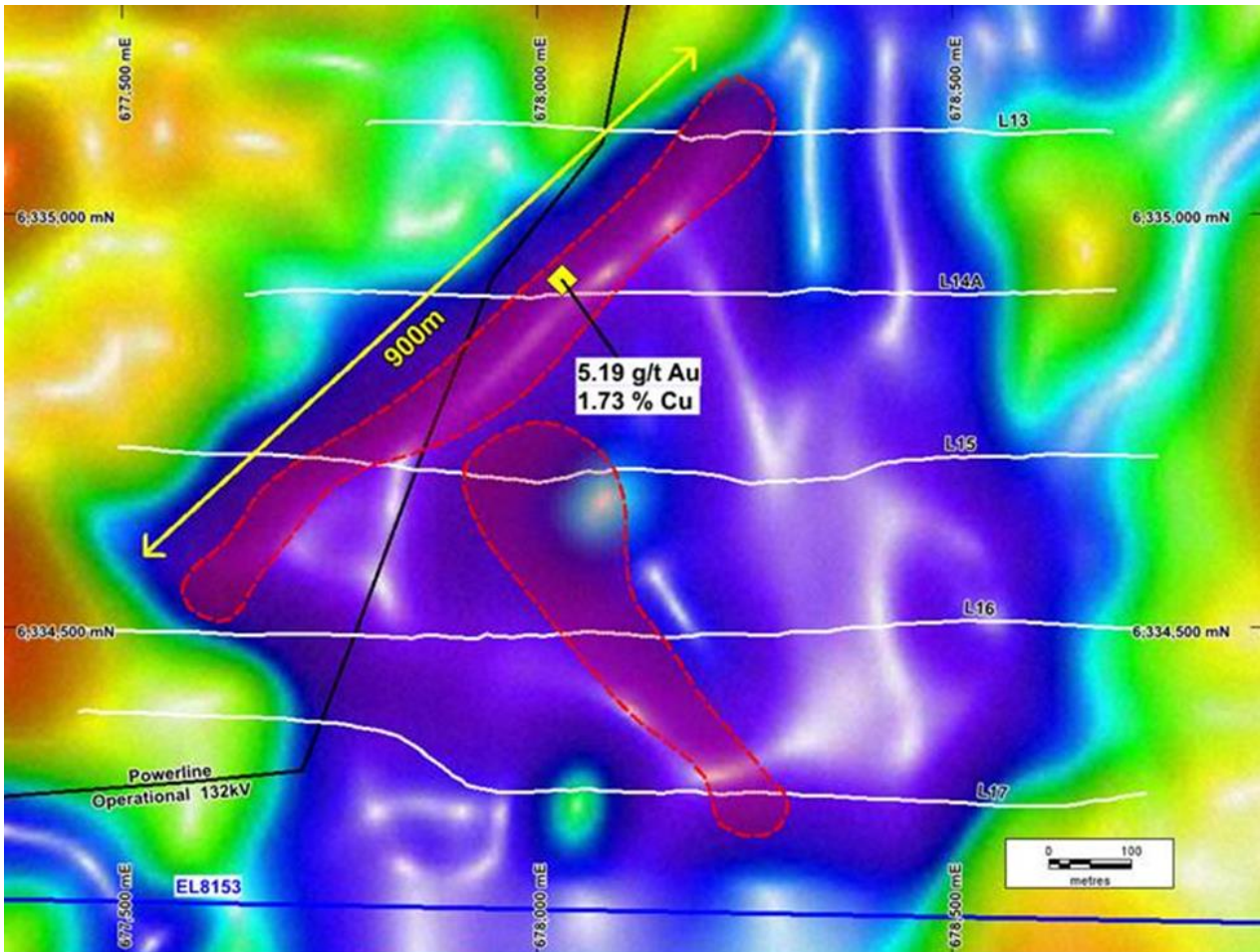


Figure 2 DGPR survey (white lines) across the Sugarloaf target area with composite representation of DGPR anomalies (purple polygons) and significant rock chip. Belgravia Project, NSW.

The work programs were slowed in the later half of 2020 while the company undertook the renewal of the exploration licence. Renewal was granted for an additional 6 years was confirmed in late October 2020.

Turon Project – Au, +/-Cu

The Turon Project covers an area of 120km². It is situated approximately 50km east of the Company's Belgravia Project and 60km northeast of Newcrest Mining's Cadia Valley Operations, in the Hill End Synclinal Zone, NSW. The geology at Turon bears many similarities in terms of host-rocks, structural and mineralisation-style to other high-grade turbidite-hosted gold deposits, including Fosterville in the Bendigo-Ballarat zone, central Victoria.

Past explorers report numerous significant gold grades from chip and mullock sampling along the length of the gold workings, including 1,535g/t, 135g/t, 26g/t, 14.6g/t, 12.55g/t and 11.3 g/t Au (Figure 3).

A diamond drill program commenced in August 2020 over several identified targets within the Turon project. The drilling was designed to test several shallow gold targets situated within the Box Ridge (Britannia Mine) and Quartz Ridge line of workings which strike over 2.4km and 1.6km respectively (Figure 3).

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DIRECTORS' REPORT

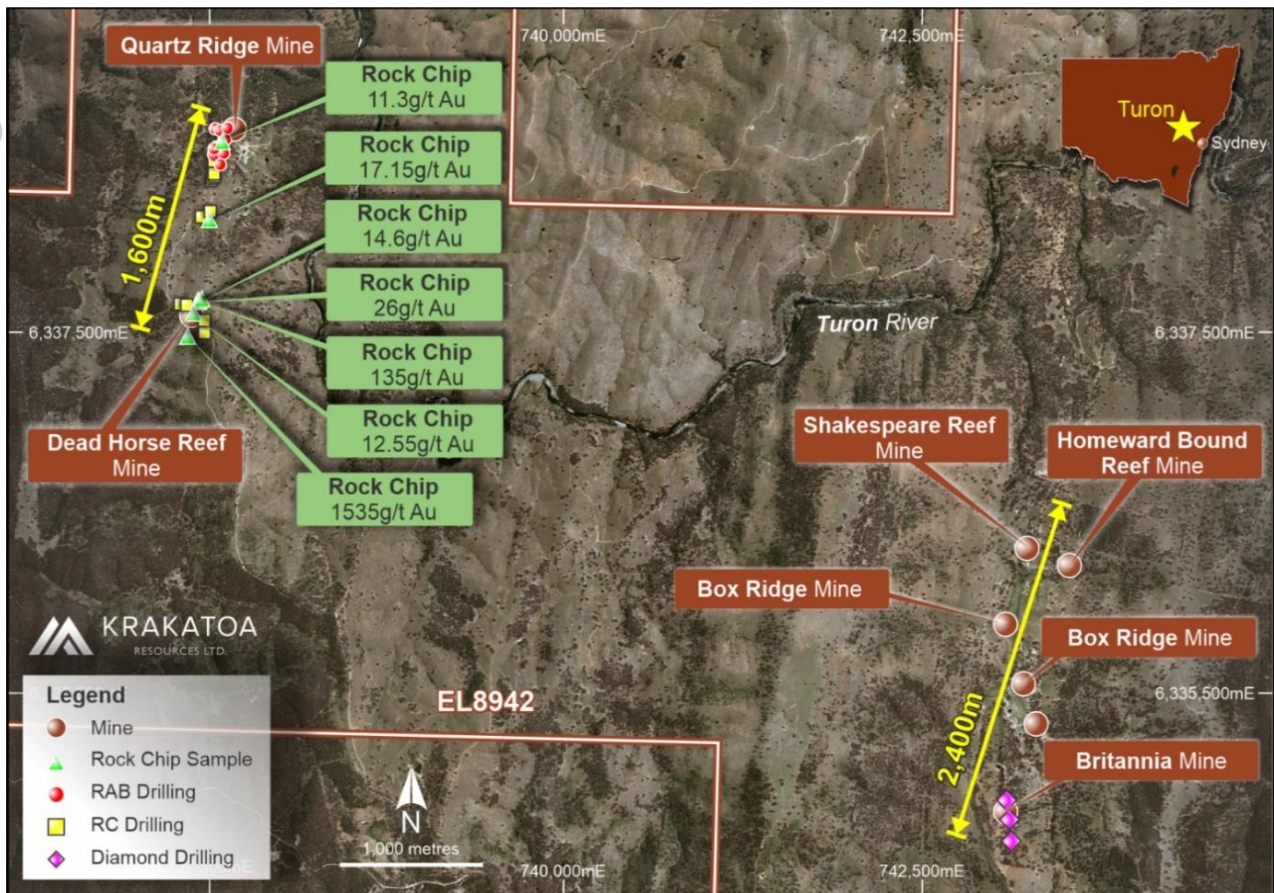


Figure 3 Location of the Quartz Ridge and Box Ridge line of workings and mines.

The two holes drilled at the Britannia Mine prospects, were targets delineated in an earlier DGPR survey, and offset to areas not previously explored. Both holes intersected multiple and broad zones of significant quartz veining, pervasive sericite alteration and disseminated pyrite-arsenopyrite. Anomalous gold was intersected in both holes with the peak intersection coming from hole BD002 at for 1m with 4.82g/t gold from 56m.

Six diamond holes (totalling 1294.5m) were drilled along the 1.6km long line of the historical Quartz Ridge workings. Drilling was focused on testing beneath high-grade rock chip sampling (up to 1,535 g/t gold), RC drilling results (up to 2m @ 6.53g/t Au from 30m) at the Sixty Seven mine, and several highly anomalous gold intercepts with results up to 10m @ 1.64g/t gold north of the Quartz Ridge mine.

Drilling intersected multiple zones of significant quartz veining with associated mineralisation within all holes, including arsenopyrite, pyrite, with chalcopyrite and gold locally developed. Best results included 2m @ 2.42g/t Au from 101.8m (QRD002), 1m @ 2.68g/t Au from 29.7m (QRD002) and 1m @ 3.1g/t Au from 76m (QRD003) (Figure 4).

Vein widths intersected were to 20m, but commonly around 3m. Veins vary between massive to strongly laminated typically associated with the reactivating shear zones and commonly characteristic of nuggetty gold systems. Broad arsenic haloes, up to 36m wide, envelop the mineralisation and quartz veining supporting the presence of deep mantle tapping structures.

KRAKATOA RESOURCES LIMITED

DIRECTORS' REPORT

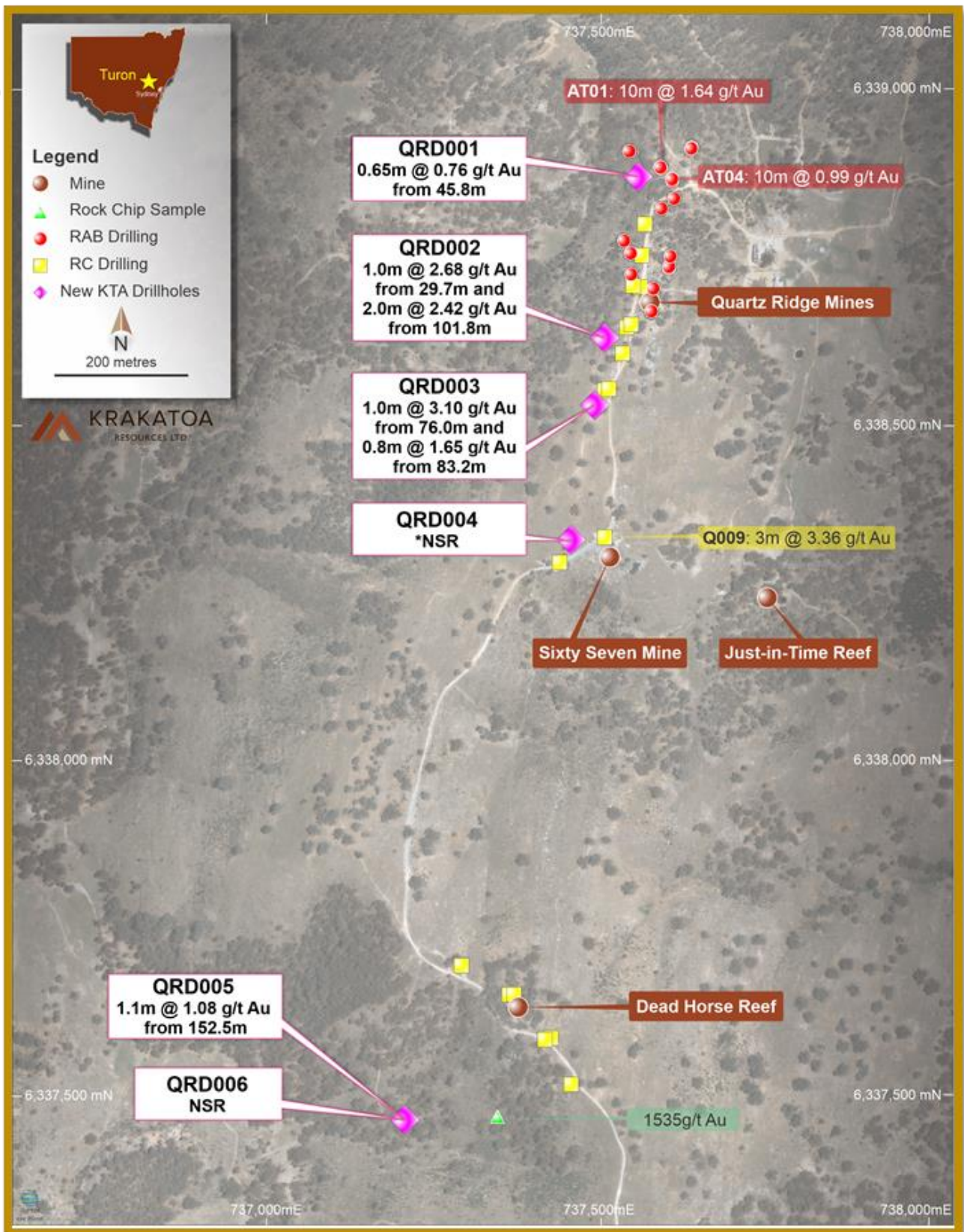


Figure 4 Quartz Ridge Line of workings, historical mines with drilling and rock chip results.

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DIRECTORS' REPORT

Rand Project- Au, Sn,

In October 2020, the Company was granted EL9000, after submitting four applications back in June 2020. The Project covers a combined area of 580km², which is centred approximately 60km NNW of Albury in southern NSW and contains a 40km structural corridor with the prospective geology largely masked by colluvium. Gold mineralisation is associated with emplacement of the I-type Jindera granite.

Within the tenement lies the historical Bulgandry Goldfield which is prospectivity for shear-hosted and intrusion-related gold. Production records from several of the mines within this goldfield such as the Show Day and Welcome Find reefs show substantial gold grades, including 512oz from 60 tons and 70oz from 74 tons, being extracted from the exposed quartz veins (Figure 5).

The known workings occur on small windows of deeply weathered and extensively leached bedrock which pierce the blanketing sediments. Past exploration has concentrated on the areas of outcrop and was limited to the Show Day and Welcome Find Reefs. The Lone Hand and Goodwood Reefs have not been explored since their original closure pre-1902.

During the reporting period, the Company had Thomson Aviation undertake collection of high-resolution aeromagnetic data over the entire tenement to commence the green fields exploration effort at Rand. This data was subsequently processed and interpreted resulting in significant areas of interest (Figure 5).

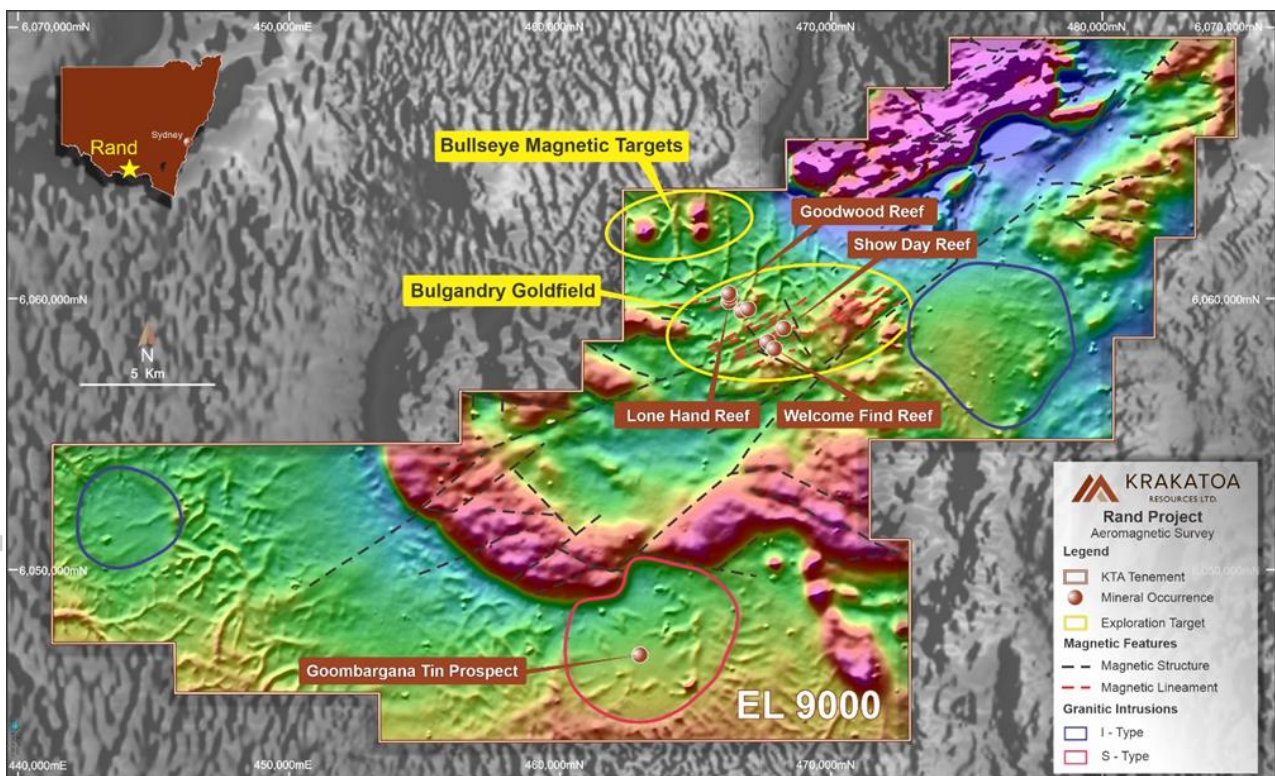


Figure 5 Location of primary targets over aeromagnetic image showing significant structures, lineaments and intrusions.

The Krakatoa geology team examined and photographed core from two vertical diamond drill holes, H17 and H19, which had been stored by Geological Survey of New South Wales (GSNSW). Quarter core samples were collected for gold and multielement analysis. The results of this work supported the prospectivity of the magnetic bullseyes targets identified from the Aeromagnetic survey. The results returned positive assays and identified strongly chloritised quartz – hornblende diorite alteration with minor quartz veinlets and disseminated pyrite within dioritic or granodioritic host rocks which are considered favourable for intrusion-related gold (IRG) systems.

KRAKATOA RESOURCES LIMITED

DIRECTORS' REPORT

Several other priority exploration targets were identified from the magnetic survey and collation and review of the historical exploration data. A series of significant magnetic lineaments, totalling around 8 kilometres and trending East- Northeast were identified over corresponding historical gold workings at Bulgandry goldfield, with over 90% under some cover. Another feature identified was the possible alignment of palaeochannels (“deep leads”) with mineralisation controlling basement structures.

Mt Clere Project – REE, Ni, Cu +/- Co, PGE

The Mt Clere Rare Earth Project comprises three granted and five tenement applications covering a total area of 1,780km², located approximately 200km northwest of Meekatharra, within the Narryer terrane, Gascoyne Region of Western Australia.

The Narryer Terrane is thought to represent reworked remnants of greenstone sequences that are prospective for intrusion-hosted Ni-Cu-(Co)-(PGE's). The Narryer terrane, which forms the northwest margin of the Yilgarn Craton, consists of relatively high-grade granitic gneisses interlayered with metasedimentary rocks that are intruded by granite and pegmatite. Thus, the Narryer terrane is prospective for similar mineralisation-styles including Ni-Cu-PGE (e.g. Julimar) and orogenic gold (e.g. Boddington).

The Project also contains significant opportunities related to rare earth elements, in particular via the previously identified widespread monazite sands concentrated within the drainage networks of the northern applications and Ion adsorption clay REE targets in extensive laterite areas. Historical work by BHP and Astro Mining NL confirmed the abundance of monazite in pan concentrates, with grades exceeding 50% in a large number of samples resulting in an anomaly exceeding an area of 100km². Other valuable heavy minerals such as zircon (to 60%), and ilmenite (to 29%) with lesser rutile, leucoxene and xenotime, were recovered in samples from the same area, favorable for large placer resources of easily recoverable material.

During the reporting period, the Company received granted tenure (E09/2357) over the first of several exploration licence applications. Subsequent to this, the Company was granted an additional two exploration licenses (E52/3730 and E52/3731) and now holds 1,080km² live under granted licenses and approximately 700km² remaining under application (Figure 6). No field work was conducted over the reporting period.

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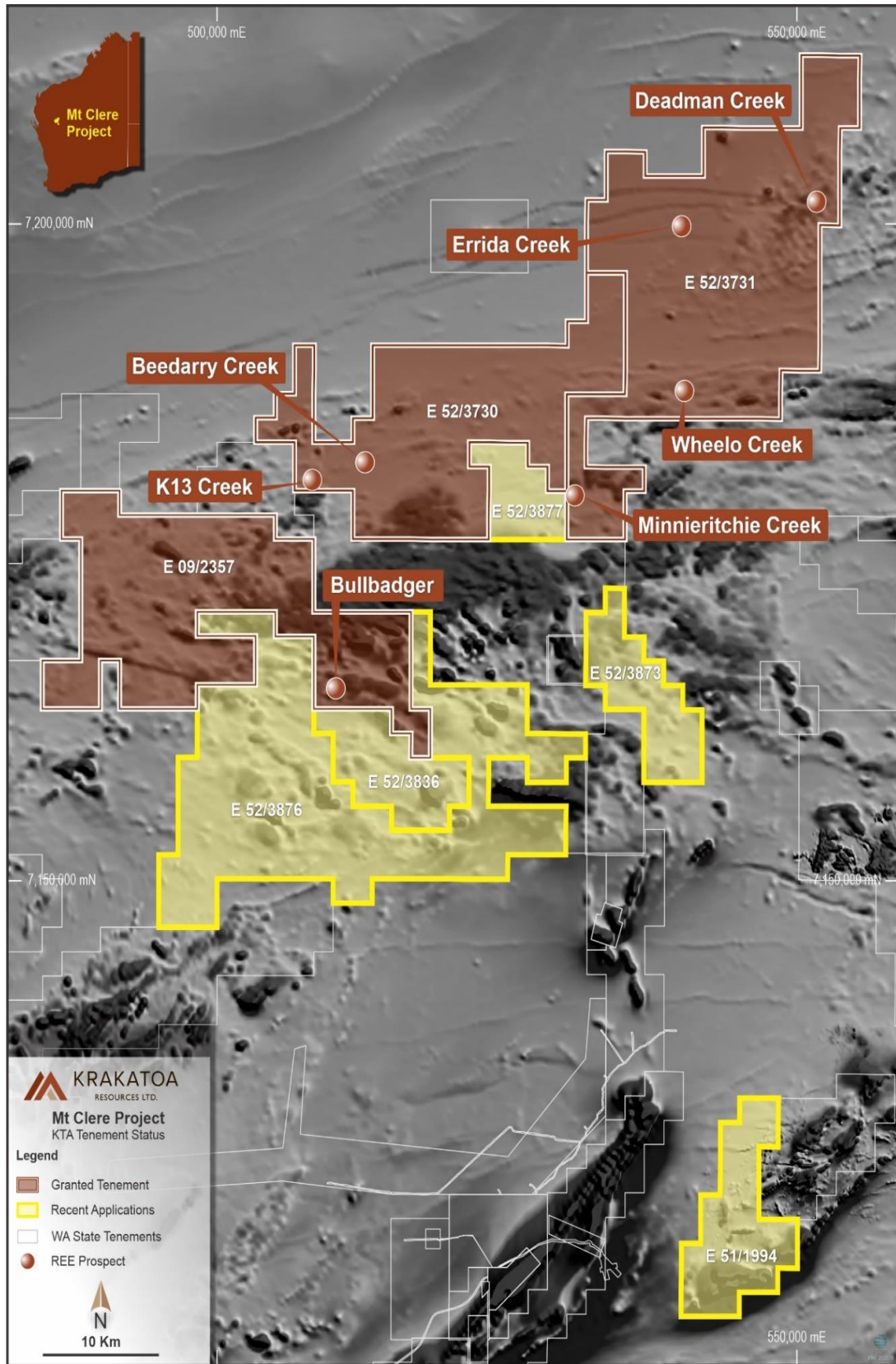


Figure 6 Exploration Licenses and applications within the Narryer Terrane, highlighting known REE anomalies, Mt Clere Project, WA.

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Dalgaranga Project – Au, Zn, Ta, Sn, W, +/-Li, Pb

The Dalgaranga Project is located 80km northwest of Mount Magnet in Western Australia and lies within the Dalgaranga Greenstone Belt. The Dalgaranga Greenstone Belt is about 50km long and up to 20km wide and contains gold mineralisation (Dalgaranga gold mine), a zinc deposit (Lasoda), graphite deposits, and occurrences of tantalum, beryllium, tin, tungsten, lithium and molybdenum related to pegmatites.

The Company has concluded that the Dalgaranga Project is prospective for base metal mineralisation, as it lies along strike from the Lasoda VMS mineralisation, contains the right rocks (west of the knotted schists exposed in the open pit) and contains an EM conductor in the south of the property that is, in-turn, supported by coincident lead soil geochemistry.

Mac Well Project – Au

The Mac Well Project has a land area of 66.9km² and is located 10km west of the Company's Dalgaranga Project. The Project contains a 7.5km strike along the prospective Warda Warra greenstone belt, mostly untested due to a thick transported cover. The Company considers favourable structural conditions for gold mineralisation are likely within the Mac Well tenement, acknowledging the significance and prospectivity of the western granite-greenstone contact, as evidenced by the Western Queen Mine.

Competent Persons Statement

The information in this report that relates to exploration results was first released by the Company on 19 June 2019, 25 November 2019, 3 December 2019, 14 April 2020, 20 May 2020, 26 June 2020 and 6 July 2020, 6 October 2020, 9 October 2020, 24 November 2020 and 2 December 2020. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements.

KRAKATOA RESOURCES LIMITED

DIRECTORS' REPORT

SUBSEQUENT EVENTS

On 22 January 2021, the Company issued 1,200,000 options exercisable at \$0.075 on or before 29 November 2023 to exploration manager Erik Conaghan under the Company's Employee Securities Incentive Plan, with 500,000 vesting on 1 years employment and the remaining 700,000 vesting on 2 years employment.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial half-year.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2020 is set out on page 26.

This report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Colin Locke
Executive Chairman

Perth
Dated: 26 February 2021

KRAKATOA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2020

	Note	31 December 2020 \$	31 December 2019 \$
Revenue		13,430	4,352
Administration expenses		(43,179)	(49,400)
Compliance and regulatory expenses		(176,778)	(176,430)
Employee benefits and consulting expense		(122,530)	(130,850)
Share based payments expense		(828,785)	-
Exploration expenditure, project evaluation and acquisition costs	2	(887,910)	(1,113,454)
Travel and accommodation		(19,527)	(43,123)
Loss before income tax expense		(2,065,279)	(1,508,905)
Income tax expense		-	-
Loss after income tax expense for the half-year		(2,065,279)	(1,508,905)
Other comprehensive loss		-	-
Total comprehensive loss for the half year		(2,065,279)	(1,508,905)
Net loss for the half-year is attributable to:			
Members of the parent entity		(2,065,279)	(1,508,905)
		(2,065,279)	(1,508,905)
Total comprehensive loss for the half year is attributable to:			
Members of the parent entity		(2,065,279)	(1,508,905)
		(2,065,279)	(1,508,905)
Basic and diluted loss per share (cents per share)		(0.74)	(1.01)

The accompanying notes form part of this financial report

KRAKATOA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	31 December 2020 \$	30 June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents		3,628,705	686,170
Trade and other receivables		48,025	43,811
Other assets		9,012	-
TOTAL CURRENT ASSETS		3,685,742	729,981
TOTAL ASSETS		3,685,742	729,981
CURRENT LIABILITIES			
Trade and other payables		142,423	250,995
TOTAL CURRENT LIABILITIES		142,423	250,995
TOTAL LIABILITIES		142,423	250,995
NET ASSETS		3,543,319	478,986
EQUITY			
Issued capital	3	16,525,965	12,057,138
Reserves	4	2,480,670	1,819,885
Accumulated losses		(15,463,316)	(13,398,037)
TOTAL EQUITY		3,543,319	478,986

The accompanying notes form part of this financial report

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KRAKATOA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2020

	Issued Capital \$	Option Premium Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2019	9,453,316	1,544,885	(10,747,434)	250,767
Loss for the period	-	-	(1,508,905)	(1,508,905)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(1,508,905)	(1,508,905)
<i>Transactions with owner directly recorded in equity:</i>				
Shares issued during the period	1,480,000	-	-	1,480,000
Options issued during the period	-	215,000	-	215,000
Less: Transaction costs arising from issue of shares	(102,427)	-	-	(102,427)
Balance at 31 December 2019	10,830,889	1,759,885	(12,256,339)	334,435
Balance at 1 July 2020	12,057,138	1,819,885	(13,398,037)	478,986
Loss for the period	-	-	(2,065,279)	(2,065,279)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(2,065,279)	(2,065,279)
<i>Transactions with owner directly recorded in equity:</i>				
Shares issued during the period	4,803,000	-	-	4,803,000
Options issued during the period	-	660,785	-	660,785
Less: Transaction costs arising from issue of shares	(334,173)	-	-	(334,173)
Balance at 31 December 2020	16,525,965	2,480,670	(15,463,316)	3,543,319

The accompanying notes form part of this financial report

KRAKATOA RESOURCES LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Half-Year Ended 31 December 2020

	31 December 2020	31 December 2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(386,174)	(433,562)
Exploration expenditure and project evaluation costs	(985,549)	(283,780)
Interest received	13,430	4,352
	<hr/>	<hr/>
Net cash used in operating activities	(1,358,293)	(712,990)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for exploration assets	-	(319,536)
	<hr/>	<hr/>
Net cash used in investing activities	-	(319,536)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	4,635,000	1,155,000
Payments for capital raising costs	(334,172)	(124,148)
	<hr/>	<hr/>
Net cash from financing activities	4,300,828	1,030,852
	<hr/>	<hr/>
Net decrease in cash held	2,942,535	(1,674)
Cash and cash equivalents at beginning of period	686,170	407,285
	<hr/>	<hr/>
Cash and cash equivalents at end of reporting period	3,628,705	405,611

The accompanying notes form part of this financial report

KRAKATOA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2020

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Krakatoa Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year, except in relation to the matters disclosed below.

New and Revised Accounting Standards

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Company.

KRAKATOA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2020

2. EXPLORATION EXPENDITURE, PROJECT EVALUATION AND ACQUISITION COSTS

	31 December 2020	31 December 2019
	\$	\$
Exploration expenditure and project evaluation	887,910	253,918
Acquisition costs – Belgravia Project (i)	-	840,000
Acquisition costs – Other	-	19,536
	<u>887,910</u>	<u>1,113,454</u>

- (i) Following approval at the Group's Annual General Meeting on 28 November 2019, the Group issued 10,000,000 ordinary shares (fair value of \$400,000) and paid \$300,000 cash consideration for acquisition of the Belgravia Project on 5 December 2019. On the same date, the Group also issued 10,000,000 listed options exercisable at \$0.05 on or before 31 July 2021 (fair value of \$140,000) to the facilitator of the acquisition. The fair value of ordinary shares and listed options issued were determined by reference to the market price.

3. ISSUED CAPITAL

	31 December 2020	30 June 2020
	\$	\$
(a) Issued and paid up capital		
Ordinary shares fully paid	<u>16,525,965</u>	<u>12,057,138</u>
	Number	\$
(b) Movement in ordinary shares on issue		
Balance at 1 July 2020	218,750,000	12,057,138
Share Placement – 14 July 2020	30,000,000	2,400,000
Option conversion – 10 August 2020	2,200,000	110,000
Share Placement – 19 October 2020	25,000,000	2,125,000
Share issue – 1 December 2020 (refer to note 5c)	3,000,000	168,000
Transaction costs arising from issue of shares	-	(334,173)
Balance at 31 December 2020	<u>278,950,000</u>	<u>16,525,965</u>

4. RESERVES

(a) Share based payment reserve	<u>2,551,607</u>	<u>1,819,885</u>
		\$
(b) Movement in share based payment reserve		
Balance at 1 July 2020		1,819,885
Option Issue – 1 December 2020 (refer to note 5a)		347,228
Performance Rights Issue – 1 December 2020 (refer to note 5b)		313,557
Balance at 31 December 2020		<u>2,480,670</u>

KRAKATOA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2020

5. SHARE BASED PAYMENTS

a) Options

The Options were issued to Key Management Personnel (KMP), namely Colin Locke (4,000,000 options), Timothy Hogan (3,000,000 options), David Palumbo (3,000,000 options) and Mark Major (5,000,000 options) as performance based remuneration. The options were issued on 1 December 2020 following shareholder approval at the Company's AGM.

Grant Date/entitlement	Number of Instruments	Grant Date	Expiry Date	Exercise Price	Fair value per instrument \$	Value \$
KMP Options	15,000,000	30/11/2020	29/11/2023	\$0.075	0.031	347,228

The options issued during the period were calculated using the Black-scholes option pricing model with the following inputs:

	Options granted Range
Expected volatility (%)	100%
Risk free interest rate (%)	0.14%
Weighted average expected life of options (years)	3.00
Expected dividends	Nil
Option exercise price (\$)	\$0.075
Share price at grant date (\$)	\$0.056
Fair value of option (\$)	\$0.031

Options issued to directors Colin Locke (4,000,000), Timothy Hogan (3,000,000) and David Palumbo (3,000,000) vested immediately. Options issued to Mark Major (5,000,000), vest 6 months after his employment commenced which will be on 14 April 2021. These options have been recognised on pro-rata basis at the reporting date 31 December 2020.

KRAKATOA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2020

5. SHARE BASED PAYMENTS (Continued)

b) Performance Rights

On 30 November 2020 the Company issued 7,500,000 Performance Rights to the Company's CEO, Mark Major and 7,500,000 to Executive Chairman Colin Locke following shareholder approval at the Company's AGM. The Performance Rights were issued in 3 tranches:

Grant Date/entitlement	Number of Instruments	Grant Date	Vesting Date	Fair value per instrument \$	Value \$
Tranche 1 - SARs issued to Colin Locke at a strike price of \$0.20 expiring 29 November 2023	2,500,000	30/11/2020	30/11/2020	0.049	121,875
Tranche 2 - SARs issued to Colin Locke at a strike price of \$0.30 expiring 29 November 2023	2,500,000	30/11/2020	30/11/2020	0.035	85,742
Tranche 3 - SARs issued to Colin Locke at a strike price of \$0.40 expiring 29 November 2023	2,500,000	30/11/2020	30/11/2020	0.030	75,372
Tranche 1 - SARs issued to Mark Major at a strike price of \$0.20 expiring 29 November 2023	2,500,000	30/11/2020	14/10/2021	0.049	121,875
Tranche 2 - SARs issued to Mark Major at a strike price of \$0.30 expiring 29 November 2023	2,500,000	30/11/2020	14/10/2021	0.035	85,742
Tranche 3 - SARs issued to Mark Major at a strike price of \$0.40 expiring 29 November 2023	2,500,000	30/11/2020	14/10/2021	0.030	75,372

Performance Rights issued to Mark Major (7,500,000), vest 12 months after his employment commenced which will be on 14 October 2021. These Performance Rights have been recognised on pro-rata basis at the reporting date 31 December 2020.

c) Shares

On 30 November 2020 the Company issued 3,000,000 at share price of \$0.056 for \$168,000 in bonus consideration to director David Palumbo for his contribution in identifying the Rand, Turon and Mt Clere Projects for direct application by the Company

6. DIVIDENDS

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

KRAKATOA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2020

7. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the phase of operation within the mining industry. For management purposes, the Group has organised its operations into two reportable segments on the basis of stage of development as follows:

- Development assets
- Exploration and evaluation assets, which includes assets that are associated with the determination and assessment of the existence of commercial economic reserves.

The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

During the half-year ended 31 December 2020, the Group had no development assets. The Board considers that it has only operated in one segment, being mineral exploration.

The Group is domiciled in Australia. All revenue from external customers are only generated from Australia.

No revenues were derived from a single external customer.

8. EVENTS SUBSEQUENT TO REPORTING PERIOD

On 22 January 2021, the Company issued 1,200,000 options exercisable at \$0.075 on or before 29 November 2023 to exploration manager Erik Conaghan under the Company's Employee Securities Incentive Plan, with 500,000 vesting on 1 years employment and the remaining 700,000 vesting on 2 years employment.

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

9. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

KRAKATOA RESOURCES LIMITED

DIRECTORS' DECLARATION

For the Half-Year Ended 31 December 2020

In the opinion of the Directors of Krakatoa Resources Limited (the Group):

1. The financial statements and notes thereto of the Group, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year then ended.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to Section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Colin Locke
Executive Chairman

Perth
Dated: 26 February 2021

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
KRAKATOA RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Krakatoa Resources Limited which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Krakatoa Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

THE POWER OF BEING UNDERSTOOD
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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Krakatoa Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Krakatoa Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

A Whyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 26 February 2021

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Krakatoa Resources Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM
RSM AUSTRALIA PARTNERS


ALASDAIR WHYTE
Partner

Perth, WA
Dated: 26 February 2021

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